

**STATE OF VERMONT**  
**Agency of Human Services (AHS)**

<b>Employee Recognition and Meritorious Increases</b>	<b>REVISION HISTORY:</b> 1/1/91; 6/1/98; 5/17/05; 5/12/06	<b>Chapter/Number</b> <b>Personnel/4.04</b>
	<b>EFFECTIVE DATE:</b> 8/27/07	Attachments/Related Documents: 1. State of Vermont Personnel Policy #7.1 2. Collective bargaining agreements between the State of Vermont and the Vermont State Employees' Association

Authorizing Signature: *Signed by: Cynthia LaWare, Secretary, Agency of Human Services August 27, 2007*

**PURPOSE:**

To provide appointing authorities and their staff guidance in the administration of employee recognition and monetary award programs for Agency employees in the classified service who have exhibited exceptional effort that reflects the values and objectives of the agency.

**BACKGROUND:**

Our staff are central to our work. Workforce Development is one of the key themes in the 2005 AHS Strategic Plan for Re-organization. One indicator of success in this area is: "Through performance evaluations and the agency's rewards and recognition structure, AHS management (supervisors, managers, directors, etc.) recognizes the successes and contributions of staff members. The practices within the Agency for merit awards will support our preferred future, which includes a culture that encourages enthusiasm, flexibility, creativity and continuous improvement."

**DEFINITIONS:**

**Merit Award:** A cash (or cash-equivalent) bonus or base pay increase for excellence over a period of time. Such awards are reported as taxable income.

**Reward & Recognition:** A non-cash award of modest value for short-term efforts deserving special attention. Provided that such an award qualifies as a "*de minimis* fringe benefit", it may be excluded from taxable income.

**Team:** Two or more individuals who have worked together for at least six months on a specific project, special initiative or activity having a common purpose. Characteristics of teams include shared decision-making, shared accountability and collective work products.

**SCOPE:**

This policy applies to the Agency of Human Services and all of its departments and offices.

## POLICY:

### **I. Departments and Offices** (hereafter referred to jointly as department)

#### A. Commissioners and Office Directors will:

1. Establish department policy and procedures for the administration of this policy, subject to review and approval by the Agency Recognition & Merit (ARM) Oversight Committee.
2. Appoint a committee to review and recommend nominations for merit awards.
3. Approve all cash bonuses within the level of authority delegated to the departments by this policy and recommend action on all other merit nominations to be submitted to the Agency Recognition & Merit (ARM) Oversight Committee.

### **II. Agency Recognition & Merit (ARM) Oversight Committee**

A. Membership: AHS Personnel Chief, Personnel Administrator for AHS Central Office, a delegate appointed by the AHS Secretary, and a delegate from each department merit committee. If a department is without a functioning merit committee, the department head will appoint a delegate to the ARM. Committee members may designate a replacement member to attend occasional meetings on their behalf. Department merit committees may rotate participation in the ARM Oversight Committee semi-annually.

#### B. Role

1. The ARM Oversight Committee will review all recommended nominations within the agency for awards over \$500 in value and base pay increases. The Committee's task is to evaluate each award request packet to ensure it meets the criteria for approval, and to make recommendations to the Agency Secretary.
2. The ARM Oversight Committee will serve as the internal merit committee for AHS Central Office. If a department is without a functioning merit committee due to reorganization, the ARM Committee will also review all nominations for that organization until a merit committee is in place. In such cases, supervisors and managers *covered by this provision* may provide non-monetary awards of \$100 or less in value without prior approval of the ARM Oversight Committee, but subject to "chain of command" authorization and any applicable department procedures.
3. The ARM Oversight Committee may have an advisory role regarding the Agency's observance of Public Service Recognition Week (PSRW), at the direction of the Secretary's office. Activities may include coordination of Agency participation in statewide events (such as recognition by the Governor), recommendation of strategies to enhance an

agency-wide perspective in PSRW activities, and participation in planning agency-wide PSRW activities. This will not preclude department-specific activities in honor of PSRW.

### **III. Award Criteria**

A. The goal of this policy is to encourage and reward employees for exceptional effort that reflects the values and objectives of the agency. Meritorious performance may be exemplified, but not limited to, the following behaviors:

- Demonstrate initiative, innovation or creativity resulting in a positive outcome (such as savings to the State, increased efficiency of operations or continuous improvement) *or*
- Demonstrate extraordinary commitment, customer service or pride in the workplace *or*
- Demonstrate excellent performance and/or results in the Agency's four key practice areas: Holistic Service, Strengths-Based Orientation, Customer Service, and Results-Orientation *or*
- Exhibit extraordinary level of teamwork, professional development or leadership *or*
- External or internal recognition for excellence and/or achievement (such as Public Service Recognition or unique department awards) *or*
- Contribute extra effort toward creation of a positive work place environment or positive workplace attitudes *or*
- Achieve measurable success on special projects requiring significant effort.

### **IV. Types of Awards**

#### Reward and Recognition

##### A. Individual Recognition

This policy permits departments to implement and administer reward and recognition programs for non-cash awards worth less than \$100.00, such as gifts or gift certificates for a specific item, letters of appreciation, plaques, or time off (in increments of 1 hour to 1 day). Receipt of an award under a reward and recognition program does not prohibit an employee to be eligible for a non-recurring bonus or merit base pay increase in the same twelve-month period.

1. Such nonmonetary awards must qualify to be excluded from taxable income as a “*de minimis*” benefit under Federal tax law.

a) In general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. This includes such items as occasional snacks or group meal; occasional tickets for entertainment events; flowers, fruit, books, etc, provided under special circumstances. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.<sup>1</sup>

2. A department's Reward and Recognition program should be defined within its Merit procedures.

3. Departments may establish an employee referral program under the provisions for Reward and Recognition. An employee referral program engages staff members in recruiting excellent candidates for hard-to-fill jobs and provides a non-cash reward for successful referrals. Such a program shall:

- a) clearly define the job title(s) covered by the program;
- b) delineate the timeframe of the program;
- c) specify who is eligible to participate (i.e., awards may be provided to classified employees; hiring supervisors should not be eligible for recruiting new hires in their own "chain of command");
- d) define the criteria for an appropriate and successful referral (i.e., the referral must be of an external candidate and the candidate must satisfactorily complete original probation); and,
- e) establish procedures for appropriate documentation of a successful referral.

## B. Team Recognition

Departments may establish provisions, in addition to reward and recognition programs (Section A above) for meritorious performance by team members. Receipt of an award under a team recognition program does not prohibit an employee to be eligible for a non-recurring bonus or merit step increase in the same twelve-month period. Nominations that include entire divisions or departments are not appropriate.

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<sup>1</sup> FAQs for government entities regarding De Minimis Fringe Benefits  
(<http://www.irs.gov/govt/fslg/article/0,,id=155764,00.html>)

## Merit Awards

When recommending or evaluating a merit award request, consideration should be given to whether or not the employee has received other recognition or compensation for the work performed, such as overtime, higher assignment pay, or reclassification. Such factors are not disqualifying but may be relevant to the determination of an appropriate award.

### A. Non-recurring Cash Bonus

Lump sum or cash-equivalent bonuses are granted on a one-time basis and do not alter the current hourly rates of employees.

1. Bonuses are appropriate for special recognition of exceptional performance on a special project or other “short-term” (i.e. less than 12 months) activity of significant importance to the department/agency. The amount of the bonus will be determined in accordance with the criteria identified previously in Section III (“Award Criteria”), considering:
  - the duration of extraordinary effort expended (days, weeks, months),
  - the amount of extra effort required (time, physical energy, personal sacrifice, mental effort or demands) and
  - the impact from the extraordinary effort (money saved, increased efficiency, positive public image, etc.).
2. The value of a non-recurring bonus may not exceed 8% of the annualized base salary of the employee in one twelve-month period.
3. All cash and cash-equivalent bonuses must be reported as taxable income.
  - a) All cash bonuses are processed by personnel action and added to an employee’s next regular pay check.
  - b) Examples of cash-equivalent bonuses include savings bonds and gift certificates or gift cards that are redeemable for a significant variety of items. Such bonuses may not be provided unless a department has established an approved payroll process to report the value of the bonus as taxable income.
4. Time off in excess of one day must be treated in the same way as any other merit award under this policy.
5. Candidates nominated for a non-recurring bonus of \$1000 or more must, at a minimum, have a current evaluation on file with a satisfactory

or better rating. All other candidates nominated for a non-recurring bonus must have a current or presumptive annual rating of satisfactory or better to be eligible for the bonus.

6. Authority to approve non-recurring bonuses of \$500 or less is delegated to Commissioners and Office Directors. The delegation of authority for awards may not be further delegated below the Department Head level unless the guidelines for such have been detailed and approved within the approved department policy.

7. Non-recurring bonuses over \$500.00 (\$501.00 and higher) must be referred to the ARM Oversight Committee for recommendation to the Agency Secretary.

## B. Base Pay Increase

Merit base pay increases require demonstrated sustained long term “outstanding” performance consisting of a continuous period of 12 months or more.

Merit step increases are permanent adjustments to salary that advance the step level of the employee by one or two steps. Step increases may be appropriate when faster than normal salary advancement is warranted due to sustained, long-term (i.e. 12 months or more) performance that significantly exceeds all standards. An increase in base pay may not exceed the maximum of the pay grade.

1. One step awards: a candidate for a one-step award must have received an excellent or outstanding rating by his or her supervisor for the current performance rating period. Any available corroborating evidence from a third party (such as a community partner, team or project leader, etc) or other credible evidence may support the nomination.
2. Two step awards: a candidate for a two-step award must have received at least one outstanding rating and no less than an excellent rating by his or her supervisor in the last two consecutive performance rating periods. Corroborating evidence from a third party or other credible evidence as may be available must support the nomination.
3. The effective date for base pay increases will be the first day of the new payroll period following approval of the award by the Agency Secretary. Base pay increases may not in any case exceed two steps. Base pay increases do not impact the employee’s step date.
4. No individual employee may receive more than one “small” bonus (up to and including \$1000) and one “large” merit bonus (over \$1000 or a step increase) in a single year without the prior approval of the Commissioner of Human Resources. If a merit committee proposes to recommend a

merit bonus beyond these limits, the committee will coordinate with the department's personnel administrator to obtain DHR approval.

#### C. Retention Merit Bonus Programs

Notwithstanding any other provision of this policy, the Secretary may, under unusual circumstances, authorize an appointing authority to implement a Retention Merit Bonus program to provide lump sum merit bonuses for staff retention when there is sufficient evidence that such a program will substantially address management objectives in protecting the health and safety of clients and staff.

### V. **Limitations**

A. This policy is intended to be enabling and should not be construed to automatically result in increases for certain levels of performance even though they might fit the criteria.

B. It may be necessary to establish dollar limits on the merit program(s). If so, the Secretary's Office would determine a department/office budget for the program. Cumulative increases would have to be limited to the budgeted amount.

C. Any employee may initiate the nomination of another employee; however such nominations will be reviewed only upon approval by the supervisor of the nominee. In no case should nominations be discussed with the subject employee at any step of the process until final approvals have been made.

D. In addition to Agency imposed changes, this policy is subject to limitations imposed by the Agency of Administration and collective bargaining agreements.

#### COMPLIANCE:

Departments and offices shall follow this policy unless they have another approved by the ARM and may establish procedures as required to administer the policy.

#### ENFORCEMENT:

None required.